

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF  
ADJUSTMENT IN RATES  
COVERING THE FIRST TO  
THIRD REGULATORY  
YEARS OF THE SECOND  
REGULATORY PERIOD FOR  
THE SECOND ENTRANT  
GROUP UNDER THE  
TARIFF GLIDE PATH (TGP)  
RULES, WITH MOTION FOR  
PROVISIONAL AUTHORITY,**

**ERC CASE NO. 2017-062 RC**

**NUEVA ECIJA II AREA 1  
ELECTRIC COOPERATIVE,  
INC. (NEECO II-AREA 1),  
Applicant.**

X-----X

DOCKETED  
Date: MAR 15 2018  
By: MAN

**ORDER**

On 27 June 2017, Nueva Ecija II-Area 1 Electric Cooperative, Inc. (NEECO II-Area 1) filed an *Application* dated 20 June 2017 (Application) seeking the Commission's approval of adjustment in rates covering the first to third regulatory years of the second regulatory period for the second entrant group under the Tariff Glide Path (TGP) Rules, with Motion for Provisional Authority.

NEECO II-Area 1 alleged the following in its *Application*:

1. That Applicant NEECO II-AREA 1 is a non-stock, non-profit electric cooperative (EC) duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal main office address at Calipahan, Talavera, Nueva Ecija, where it may be served with summons and other legal processes, represented in this instance by its OIC-General Manager, ENGR. NELSON M. DELA CRUZ, of legal age, Filipino and with office address also at NEECO II-Area 1 Main Office;

2. That herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the municipalities of the Province of Nueva Ecija, namely: Talavera, Lupao, Carranglan, Aliaga, Quezon, Licab, Sto Domingo, Science City of Munoz, Guimba, and Talugtog;
3. That pursuant to Article VII Tariff Glide Path of the RSEC-WR, the Honorable Commission issued, adopted and promulgated the Rules Governing the Movement of the Initial Tariffs of the Tariff Caps during the Regulatory Period. Under these Rules, the Tariff Glide Path (TGP) will be determined by the following formula:

$$\text{Tariff} \times (1 + \text{Index "I"} - \text{Efficiency "X"} + \text{Performance Incentive "S"})$$

Where:

- a. The Index, "I", shall be an escalation factor to be used in adjusting the rates to reflect the combined impact of inflation and load growth;
- b. There shall be an efficiency factor, "X", to account for the operational efficiency of the EC's in setting their rates, and;
- c. There shall be a performance incentive, "S", which shall reward or penalize the EC's for above or below standard performance, respectively.
4. Based on the Rules of the Tariff Glide Path promulgated by the Honorable Commission, the Index "I" was computed by NEECO II-Area 1 as follows;

Particulars	Average CPI	ΔCPI	Total KWh Sales	GR	difference	"I"
YEAR n-1 (2014)	135.40		128,318,301.70			
YEAR n (2015)	140.30	3.62%	139,148,420.00	8.44%	-4.82%	0.00%
YEAR n+1 (2016)	142.10	1.28%	152,532,962.50	9.62%	-8.34%	0.00%
YEAR n+2 (2017)	145.20	2.18%	179,083,340.70	17.41%	-15.22%	0.00%

5. Likewise, NEECO II-Area 1 calculated the Efficiency Factor "X" as follows:

YEAR: n-1 (2014)	
Particulars	Total Man Hours
Regular employees	495,189
Contractual Employees	201,642
TOTAL	696,830
Full time equivalent man hours per year	2,080
FTE	335
Total number of billed connections (year end)	100,268
CPE	299

"X"

<b>YEAR: n (2015)</b>		
Particulars	Total Man Hours	
Regular employees	468,456	
Contractual Employees	186,635	
<b>TOTAL</b>	<b>655,090</b>	
Full time equivalent man hours per year	2,080	
<b>FTE</b>	<b>315</b>	
Total number of billed connections (year end)	105,445	
<b>CPE</b>	<b>335</b>	<b>8.30%</b>

<b>YEAR: n+1 (2016)</b>		
Particulars	Total Man Hours	
Regular employees	452,277	
Contractual Employees	193,078	
<b>TOTAL</b>	<b>645,356</b>	
Full time equivalent man hours per year	2,080	
<b>FTE</b>	<b>310</b>	
Total number of billed connections (year end)	109,757	
<b>CPE</b>	<b>354</b>	<b>3.96%</b>

<b>YEAR: n+2 (2017)</b>		
Particulars	Total Man Hours	
Regular employees	491,391	
Contractual Employees	219,873	
<b>TOTAL</b>	<b>711,264</b>	
Full time equivalent man hours per year	2,080	
<b>FTE</b>	<b>342</b>	
Total number of billed connections (year end)	114,580	
<b>CPE</b>	<b>335</b>	<b>-3.70%</b>

6. Finally, the Performance Incentive "S" was determined as follows:

<b>YEAR 2015</b>	<b>SAIFI</b>	<b>SAIDI</b>	<b>SL</b>	<b>"S"</b>
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	15.12	1,577.85	10.97	
DIFFERENCE	8.59	619.01	2.03	
<b>% impact</b>	<b>1.00%</b>	<b>0.00%</b>	<b>3.50%</b>	<b>1.10%</b>
<b>YEAR 2016</b>	<b>SAIFI</b>	<b>SAIDI</b>	<b>SL</b>	<b>"S"</b>
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	19.64	1,745.48	10.53	
DIFFERENCE	4.07	451.38	2.47	
<b>% impact</b>	<b>0.00%</b>	<b>0.00%</b>	<b>3.50%</b>	<b>0.70%</b>
<b>YEAR 2017</b>	<b>SAIFI</b>	<b>SAIDI</b>	<b>SL</b>	<b>"S"</b>
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	12.39	1,008.75	9.31	
DIFFERENCE	11.32	1,188.11	3.69	
<b>% impact</b>	<b>1.00%</b>	<b>1.00%</b>	<b>3.50%</b>	<b>1.50%</b>

7. Summarizing the above, Index "I", Efficiency Factor "X" and Performance Incentive "S", the resultant TGP is as follows:

	"I"	"X"	"S"	TGP B	TGP B (excluding S)
YEAR 2015	0.00%	8.30%	1.10%	-7.20%	-8.30%
YEAR 2016	0.00%	3.96%	0.70%	-3.26%	-3.96%
YEAR 2017	0.00%	0.00%	1.50%	1.50%	0.00%
<b>TOTAL</b>				<b>-8.97%</b>	<b>-12.27%</b>

8. The above computations and calculations were made in accordance with the guidelines issued by the Honorable Commission, more specifically to the Rules Governing the Tariff Glide Path Pursuant to Article VII of the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR), and;
9. That as part and parcel of this Application, attached hereto are the detailed computations of the TGP, with supporting documents, duly marked as Annexes A, A1, A2, and A3.

**PRAYER**

**WHEREFORE**, premises considered, Applicant Nueva Ecija II Electric Cooperative, Inc.-Area 1 (NEECO II-Area 1) respectfully prays of this Honorable Commission that, after due notice and hearing and consideration, this Application be approved and authorizing NEECO II-Area 1 to include in its electric billings to the customers the rate at Second (2<sup>nd</sup>) Tariff Glide Path adjustment in Php/kWh, either including or excluding the Performance Incentive "S", as follows:

**A. WITH PERFORMANCE INCENTIVE "S"**

Particulars	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			211.61
Distribution System Charge	PhP/kWh	0.5570	0.7316	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/cust/mo		41.34	41.34
Supply System Charge	PhP/kWh	0.5781		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/meter/mo	4.82	34.62	34.62
Metering System Charge	PhP/kWh	0.4167		

**B. EXCLUDING PERFORMANCE INCENTIVE "S"**

Particulars	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			197.96
Distribution System Charge	PhP/kWh	0.5210	0.6844	
Supply Charges:				
Retail Customer Charge	PhP/cust/mo		38.68	38.68
Supply System Charge	PhP/kWh	0.5408		
Metering Charges:				
Retail Customer Charge	PhP/meter/mo	4.51	32.39	32.39
Metering System Charge	PhP/kWh	0.3898		

Other relief, just and equitable, is likewise prayed for.

Finding the said *Application* sufficient in substance with the required fees having been paid, on 4 April 2017, the Commission issued an Order and Notice of Public Hearing, setting the case for hearing on 18 January 2018.

On 04 January 2018, NEECO II Area-1 filed a *Manifestation and Motion* dated 03 January 2018 (Motion) praying that the 18 January 2018 be reset to another date due to lack of time to publish.

Finding the said Motion in order, the Commission granted the same. Hence, the hearing on 18 January 2018 was cancelled.

Accordingly, the Commission sets anew the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **13 June 2018 (Wednesday) at two o'clock in the afternoon (2:00 P.M.) at NEECO II Area-1's principal office at Calipahan Talavera, Nueva Ecija.**

Accordingly, NEECO II-Area 1 is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing, in two (2) newspapers of nationwide circulation in the Philippines, at its own expense twice (2) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;

- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected areas for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon the consumers within the affected area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public Hearing the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing, consisting of the affidavits of the Editor or Business Manager of the newspapers where the said Notice of Public Hearing was published, and the complete issue of the said newspapers;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing, consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of the means employed by Applicant to inform of the filing of the *Application*, its reasons therefore,

and of the scheduled hearing thereon, the consumers within the affected franchise area;

- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing, by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of initial hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant to submit the required Pre-Trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

*(This space is intentionally left blank.)*

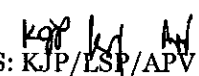
NEECO II-Area I must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application* is all about and the reasons and justifications being cited in support thereof.

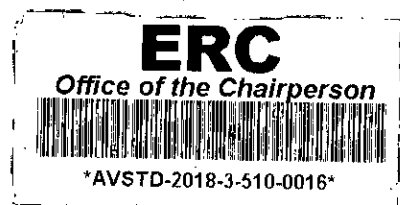
**SO ORDERED.**

Pasig City, 19 February 2018.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS: KJP/LSP/APV



COPY FURNISHED

1. Atty. Rosita L. Dela Fuente-Torres  
*Counsel for NEECO II-Area I*  
Sto. Domingo, Nueva Ecija
1. Nueva Ecija II-Area 1 Electric Cooperative, Inc. (NEECO II-Area 1)  
*Applicant*  
Calipahan, Talavera, Nueva Ecija
2. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village  
Makati City, Metro Manila
3. Commission on Audit  
Commonwealth Avenue  
Quezon City, Metro Manila
4. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City  
Metro Manila
5. House Committee on Energy  
Batasan Hills, Quezon City, Metro Manila
6. Office of the Provincial Governor  
Province of Nueva Ecija



**ERC CASE NO. 2017-062 RC**  
**ORDER/ 19 February 2018**  
**PAGE 9 OF 9**

---

7. Office of the Sangguniang Panlalawigan  
Province of Nueva Ecija
8. Office of the City Mayor  
Talavera, Nueva Ecija
9. Office of the Sangguniang Panlungsod  
Talavera, Nueva Ecija
10. Office of the Municipal Mayor  
Lupao, Nueva Ecija
11. Office of the Sangguniang Bayan  
Lupao, Nueva Ecija
12. Office of the Municipal Mayor  
Carranglan, Nueva Ecija
13. Office of the Sangguniang Bayan  
Carranglan, Nueva Ecija
14. Office of the Municipal Mayor  
Aliaga, Nueva Ecija
15. Office of the Sangguniang Bayan  
Aliaga, Nueva Ecija
16. Office of the Municipal Mayor  
Quezon, Nueva Ecija
17. Office of the Sangguniang Bayan  
Quezon, Nueva Ecija
18. Office of the Municipal Mayor  
Licab, Nueva Ecija
19. Office of the Sangguniang Bayan  
Licab, Nueva Ecija
20. Office of the Municipal Mayor  
Sto Domingo, Nueva Ecija
21. Office of the Sangguniang Bayan  
Sto Domingo, Nueva Ecija
22. Office of the Municipal Mayor  
Science City of Munoz, Nueva Ecija
23. Office of the Sangguniang Bayan  
Science City of Munoz, Nueva Ecija
24. Office of the Municipal Mayor  
Guimba, Nueva Ecija
25. Office of the Sangguniang Bayan  
Guimba, Nueva Ecija
26. Office of the Municipal Mayor  
Talugtug, Nueva Ecija
27. Office of the Sangguniang Bayan  
Talugtug, Nueva Ecija
28. Regulatory Operations Service  
Energy Regulatory Commission  
17<sup>th</sup> Floor, Pacific Center Building,  
San Miguel Avenue, Ortigas Center 1600, Pasig City